

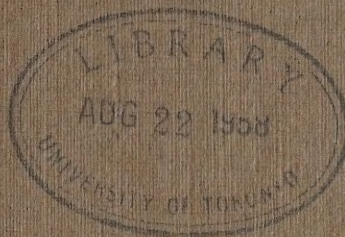
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HYDRO-ELECTRIC INQUIRY COMMISSION

REPORT
ON
HYDRO ELECTRIC RADIAL RAILWAYS
TORONTO-PORT CREDIT RAILWAY
PORT CREDIT-ST. CATHARINES RAILWAY

W. D. GREGORY, CHAIRMAN
M. J. HANEY
LLOYD HARRIS
J. ALLAN ROSS
R. A. ROSS

COMMISSIONERS

JOSEPH H. W. BOWER
SECRETARY



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To His Honour Henry Cockburn,

Lieutenant-Governor of the Province of Ontario.

May 16 Please Your Honour:-

In investigating matters of administration and expenditure of the Hydro-Electric Power Commission of Ontario (hereinafter called "the Commission"), pursuant to instructions given to us by Your Honour, we have found that large sums of money received by the Commission for power development

HYDRO-ELECTRIC RADIAL RAILWAYS

and held by it in trust under the provisions of "the Power Commission act". The money is held in direct violation of law and in breach of the trusts upon which the money was held, for the purchase of rights-of-way for Hydro-Electric Radial Railways; for material for the construction of such railways and for other purposes. These moneys were misappropriated notwithstanding the repeated objections of Mr. G. B. Blackwell, the Government Minister of the Commission's revenues, and although it is manifestly evident that the instructions of the Government itself. We took the matter of such importance as to warrant us making a special report thereof to Your Honour, and this we now do. With this report we transmit a report on the subject made to us by our assistants, Messrs. Frier, Tupperhouse and Company.

HYDRO-ELECTRIC RAILWAY

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To His Honour Henry Cookshutt,

Lieutenant-Governor of the Province of Ontario.

May it Please Your Honour:-

In investigating matters of administration and expenditure of the Hydro-Electric Power Commission of Ontario (hereinafter called "the Commission"), pursuant to instructions given to us by Your Honour, we have found that large sums of money received by the Commission for power development purposes or as revenue from power developments and held by it in trust under the provisions of "The Power Commission Act", have been used in direct violation of law and in breach of the trusts upon which the money was held, for the purchase of rights-of-way for Hydro-Electric Radial Railways; for material for the construction of such railways and for other purposes. These moneys were misappropriated notwithstanding the repeated objections of Mr. G. T. Clarkson, the Government Auditor of the Commission's accounts, and at times in absolute disregard of the instructions of the Government itself. We deem the matter of such importance as to warrant us making a special report thereon to Your Honour, and this we now do. With this report we transmit a report on the subject made to us by our Accountants, Messrs. Price, Waterhouse and Company.

To His Honour Henry Cockburn.

Lieutenant-Governor of the Province of Ontario.

May it please Your Honour:-

In investigating matters of administration and

expansion of the Hydro-Electric Power Commission of Ontario (hereinafter called "the Commission"), pursuant to instructions given to me by Your Honour, we have found that

large sums of money received by the Commission for power development purposes or as revenue from power developments and held by it in trust under the provisions of "the Power Commission Act", have been used in direct violation of law and in breach of the trusts upon which the money was held, for the purchase of right-of-way for Hydro-Electric Canal Railways; for material for the construction of such railways and for other purposes. These moneys were misappropriated notwithstanding the repeated objections of Mr. G. E. Glendon, the Government Auditor of the Commission's accounts, and at times in absolute disregard of the instructions of the Government itself. We deem the matter of such importance as to warrant us making a special report thereon to Your Honour, and this we now do. With this report we transmit a report on the subject made to us by our Accountants, Messrs. Price, Waterhouse and Company.

the undertakings of the Power Commission than a Trust

Hydro-Electric Railway Legislation

Company retaining money on certain specified and defined

In 1914 the Legislature passed what is known as
Trusts Act to use these money to pay the obligations of
the Hydro-Electric Railway Act, whereby the Hydro-Electric
either states that may be in its hands.

Power Commission of Ontario was authorized to undertake the

construction of Hydro-Electric Railways on the conditions in

the Act set forth. The Act provided that certain preliminary

steps should be taken and that upon the municipalities directly

interested issuing bonds for an amount equal to the estimated

cost of construction and depositing these bonds with the Credit

Commission, the Provincial Government should guarantee the

Commission's bonds, for an equal amount, to meet the cost of

the undertakings. **COPY** St. Catharines. It also made

preliminary surveys and estimates of cost for other lines.

Hydro-Electric Radial Lines distinct

from Hydro-Electric Power Undertakings. St. Catharines Railway

was \$11,000. While the Hydro-Electric Power Commission of

Ontario was authorized to perform certain duties under the Hydro-

Electric Railway Act, it must be borne in mind that the powers

and duties of the Hydro-Electric Power Commission of Ontario,

under the Power Commission Act, have no more connection or

relation to their powers and duties under the Hydro-Electric

St. Catharines Railway

Railway Act than if, instead of the Commission being designated

The Commission thereupon specified, and the Province

in these latter Acts to perform these duties and exercise these

guaranteed, a bond issue of \$11,000,000 in respect of the

powers, different individuals or corporations had been so

Port Credit-St. Catharines line. No bonds whatever were

designated; and the Commission has no more warrant for using

issued by the Commission for the purpose of raising money for

for Hydro-Radial purposes funds received by it in administering

the construction and equipment of the Toronto-Port Credit

Railway.

Hydro-Electric Railway Legislation

In 1916 the Legislature passed what is known as the Hydro-Electric Railway Act, whereby the Hydro-Electric Power Commission of Ontario was authorized to undertake the construction of Hydro-Electric Railways on the condition that the Act set forth. The Act provided that certain preliminary steps should be taken and that upon the completion thereof interested lending bonds for an amount equal to the estimated cost of construction and depositing these bonds with the

Commission, the Provincial Government should guarantee the Commission's bonds, for an equal amount, to meet the cost of the undertakings.

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Hydro-Electric Railway Lines Disposed of from Hydro-Electric Power Undertakings

While the Hydro-Electric Power Commission of Ontario was authorized to perform certain duties under the Hydro-Electric Railway Act, it must be borne in mind that the powers and duties of the Hydro-Electric Power Commission at Ontario, under the Power Commission Act, have no more connection or relation to their powers and duties under the Hydro-Electric Railway Act than it, inasmuch as the Commission being designated in these latter Acts to perform these duties and exercise these powers, different individuals or corporations had been so designated; and the Commission has no more warrant for using for Hydro-Electric purposes funds received by it in administering

the undertakings of the Power Commission than a Trust Company receiving moneys on certain specified and defined trusts has to use those moneys to pay the obligations of other estates that may be in its hands.

Surveys made and Bonds deposited

The Commission made preliminary surveys and in November, 1915, submitted estimates of cost to the municipalities concerned, for the construction of two railways, one known as the Toronto-Port Credit Railway connecting Toronto and Port Credit, which was to form a part of the proposed Toronto-London Railway, and the other known as the Port Credit and St. Catharines Railway connecting Port Credit and St. Catharines. It also made preliminary surveys and estimates of cost for other lines. The estimated cost of the Port Credit and St. Catharines Railway was \$11,360,160, and of the Toronto-Port Credit Railway \$5,109,873. Later the various municipalities interested in the undertakings deposited with the Commission their bonds amounting in the aggregate to \$16,469,733, the total estimated cost of the two undertakings.

Certain Bonds issued

The Commission thereupon created, and the Province guaranteed, a bond issue of \$11,360,363 in respect of the Port Credit-St. Catharines line. No bonds whatever were issued by the Commission for the purpose of raising money for the construction and equipment of the Toronto-Port Credit Railway.

The responsibility of the Board of Directors is to ensure that the company's financial statements are accurate and reliable. The Board of Directors is responsible for the overall financial health of the company and for ensuring that the financial statements are prepared in accordance with the applicable accounting standards. The Board of Directors is also responsible for ensuring that the company's financial statements are audited by an independent accounting firm.

Financial Statements

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Expenditure on Port Credit
and St. Catharines Railway

Upon the Port Credit and St. Catharines Railway the Commission expended up to October 31st, 1922, \$485,810.09, as follows:-

Year ending October 31st, 1919	\$ 7,111.19
Year ending October 31st, 1920	406,509.66
Year ending October 31st, 1921	63,681.36
Year ending October 31st, 1922	<u>8,507.88</u>
T o t a l	<u>\$485,810.09</u>

which represents the expenses relating to:-

Engineering and Superintendence	\$ 47,666.94
Right-of-way, Cost of Lands, Surveys, etc.	71,299.03
Cost of Ties, including cross-ties	281,678.79
Interest	64,329.03
Administration and Miscellaneous	<u>20,835.51</u>
	<u>\$485,810.09</u>

Of the bond issue of \$11,360,363 made by the Commission, bonds to the amount of \$1,200,000 were completed and deposited with the Bank of Montreal as collateral security for a loan to the Commission, amounting to \$100,000, for the purposes of the railway. The expenditure of the Commission on the railway up to October 31st, 1920, was \$413,620.85, the whole of which sum, less the \$100,000 received from the Bank of Montreal, was taken by the Commission out of funds which it had obtained from sources connected with its administration of undertakings under the Power Commission Act and which it held as Trustee under the provisions of that Act.

Expenditures for 1961

and for 1962

for the period from January 1, 1961, to December 31, 1962

for the period from January 1, 1961, to December 31, 1962

as follows:

Year ending December 31, 1961	\$ 1,111.12
Year ending December 31, 1962	\$ 1,111.12
Year ending December 31, 1961	\$ 1,111.12
Year ending December 31, 1962	\$ 1,111.12
Total	\$ 4,444.48

which represents the amount of the

Engineering and Design Services	\$ 1,111.12
Construction Services	\$ 1,111.12
Other Services	\$ 1,111.12
Total	\$ 4,444.48

of the total amount of \$4,444.48

which is the amount of the total

amount of \$4,444.48

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which is the amount of the total

In December, 1920, the Commission obtained a further advance of \$400,000 from the Bank of Montreal on security of the \$1,200,000 bonds held by the bank and repaid to itself the amount that it had diverted from its power undertaking funds for the purposes of the railway. The indebtedness of \$500,000 to the Bank of Montreal is still outstanding and interest upon it is accumulating. The remainder of the bond issue of \$11,350,363, although signed by the Chairman of the Commission and guaranteed by the Government, remains in the control of the Commission, but is without the signature of the Secretary or seal of the Commission.

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After paying out of the \$500,000 loan from the Bank of Montreal the money which it had taken from the funds of the Power Commission, there remained in its hands on October 31st, 1920, a balance of \$86,379.15, but during the fiscal years which ended October 31st, 1921, and October 31st, 1922, it paid out for interest, cost of materials and for other purposes \$101,229.15, leaving a deficit of \$14,850.00. This cash deficit, however, was more than wiped out by the sale of some of the ties which had been purchased for the railway and for which the Commission received \$29,039.91. The total investment of the Commission in the ties for the Port Credit and St. Catharines Railway was \$281,678.79 at October 31st, 1922, and we are informed by the Engineers of the Commission that the estimated loss on the sale of these ties is \$159,143.55.

Expenditure on Toronto-Port Credit Railway

There was spent by the Commission in respect of the Toronto-Port Credit Railway up to October 31st, 1922, \$772,264.61 as follows:-

Year ending October 31st, 1919	\$ 55,311.57
Year ending October 31st, 1920	627,975.17
Year ending October 31st, 1921	52,477.96
Year ending October 31st, 1922	<u>36,499.91</u>
T o t a l	<u>\$772,264.61</u>

which represents the expenses relating to:-

Engineering and Superintendence	\$ 15,456.42
Right-of-way, Cost of Land	638,219.52
Interest	125,019.26
Miscellaneous	<u>8,326.19</u>
	\$787,023.39
Less - Rents received from properties purchased for right-of-way in excess of expense in connection therewith	<u>14,758.78</u>
	<u>\$772,264.61</u>

Monies Spent Taken from Power Commission Funds

The accounts of the Commission show that the whole of this expenditure of \$772,264.61, in respect of Hydro-Radials, was taken out of the funds of the Power Commission. In addition to this the Commission took out of the funds of the Power Commission \$336,995.70 to meet the expenses incurred in connection with the hearings before the Royal Commission, appointed July 6th, 1920, to investigate

Summary of Expenditures - 1949

There was spent by the Commission in respect of

the Commission's duties during the year 1949, as follows:

\$772,264.81 as follows:-

\$ 66,311.29	Year ending October 31st, 1949
447,974.14	Year ending March 31st, 1950
61,877.96	Year ending October 31st, 1951
64,101.42	Year ending March 31st, 1952
<u>\$772,264.81</u>	<u>Total</u>

which represents the expenses remaining for:-

\$ 18,400.42	Engineering and Superintendence
453,219.22	Lighting, Heat and Water
128,078.60	Interest
<u>665,698.24</u>	<u>Total</u>

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\$772,264.81

Less - State received from
grants received for
lighting, heat and water
of amount in connection
thereof

14,741.22

\$772,264.81

Summary of Expenditures - 1950

The amounts of the Commission's expenditures in respect of

the Commission's duties during the year 1950, in respect of

the Commission's duties, was taken out of the funds of the Commission.

In addition to this the Commission has also

of the funds of the Commission \$100,000.00 to be used for

expenses incurred in connection with the development of the

State Commission, approved July 2nd, 1950, on investigation

the question of Hydro-Radial construction. This sum added to the amount above mentioned made a total of \$1,109,260.31 taken out of the funds held by the Commission for or on account of Hydro-Electric power systems, up to October 31st, 1922, in addition to \$21,904.72 of interest accrued in connection with the expenditure of \$336,995.70 above referred to. Apparently it was the intention of the Government at one time to pay this \$336,995.70, and in a Treasury Board Minute of October 28th, 1921, this amount was allocated for that purpose. No further action, however, was taken by the Government; the payment was not made and the Treasury Board Minute appears to have lapsed.

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In referring, when before us, to the expenditure of Power Commission funds for Hydro-Radial purposes, Mr. H. E. Guilfoyle, who is a partner of Mr. Clarkson's and who represents him in the audit of the accounts of the Commission, said:-

"The funds of the Power Commission have been encroached upon (for the Radials) to the extent of \$1,109,000.

Q.- Still continue to be?

A.- Yes, sir.

Q.- Do you mean that \$1,109,000 has been taken out of the funds of the Power Commission and used for radial purposes?

A.- Yes, sir.

Q.- Do you refer to that in your report?

MR. CLARKSON: I have referred to these things.

Q.- When did you last make reference to it?

A.- In last year's report

the question of their financial responsibility. This was asked
in the summer of 1911, and a report of \$1,000,000.00
taken out of the funds held by the Commission for the
purpose of the Hydro-Electric power system, up to October 1911.
In addition to this, \$1,000,000.00 of interest accrued in 1911-
12, and the amount of \$1,000,000.00, it was reported to
the Commission in the statement of the Government at the time
of the audit, and in a Treasury report made in
October 1911, 1912, this amount was allocated to the
Treasury, and taken by the Government; the
balance was the same and the Treasury report shows a balance of
\$1,000,000.00.

Q.- Do you still hold the opinion which you have expressed there, that it was illegal to do that?

A.- To take these monies? Yes, sir."

Sir Adam Beck's Attitude

In reply to our inquiry from him as to how the funds of the Power Commission came to be used for Radial Railway purposes, Sir Adam Beck, Chairman of the Commission, said:

"We thought we were justified. I do not know what legal advice we had, other than the opinion we had on hand that we were at perfect liberty to use these funds."

No legal opinion has been produced and probably none was obtained by Sir Adam Beck. In fact no legal opinion was required, for to take these moneys from the funds of the Commission was clearly and palpably illegal. However, an opinion was given to Sir Adam Beck by Mr. Clarkson, who, although not a lawyer, is an able and highly qualified auditor and fully competent to speak with authority on the subject, and Mr. Clarkson told Sir Adam that the Commission had no right to take the money.

The Argument of Mr. Lucas

Honourable Mr. Lucas, speaking before us for the Commission, appeared to take the view that because the Commission was authorized to construct the radial roads on the conditions laid down in the Act, it had authority to use any moneys in the General Account of the Power Commission for the

Q. No. 10. Will you hold the opinion that the law is not
expressed there, that it is illegal to do that?

A. No. The law shows nothing, yes, sir.

THE CHAIRMAN: All right.

Is there is any difficulty with the law as it is?

There is no difficulty with the law as it is. The
law is clear, and the Commission can be used for the
purpose of the law, and the Commission of the Commission.

Q. 11.

The law is not clear, and the Commission can be used for the
purpose of the law, and the Commission of the Commission.

The law is not clear, and the Commission can be used for the
purpose of the law, and the Commission of the Commission.

THE CHAIRMAN: All right.

Now, Mr. Jones, speaking before us for the
Commission, we have to take the view that because the Com-
mission is not clear, and the Commission can be used for the
purpose of the law, and the Commission of the Commission.

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purposes of financing and building the radial roads. Mr. Clarkson expressed strong dissent from this view, as the following extracts from the evidence given by him before us show:

"The view I take", said Mr. Clarkson, "is that the money expended on Hydro Radial Railways had to be raised out of the sale of bonds of the Commission supported as collateral by bonds of the municipalities. Under these circumstances, I feel that the monies to be expended on Hydro Radial Railways had to come from the proceeds of the sales of bonds covering these railways; that is my opinion. I may be right or wrong, but that is the view I take....."

Q.- "It is a case then of a party who is a trustee for two parties using the funds of one for the purpose of the other?"

A.- "Put it in this way: I contend and believe that the whole tenor of the Power Commission Act is that any monies received by the Commission are trust monies."

Q.- "For the municipalities?"

A.- "Ear-marked for the definite purpose for which they are received and while they go into a common fund, I do not think there is any power in the Commission or anybody else to pay these monies out of that fund, except for the specific purpose for which they are intended....."

Q.- "Is not it a somewhat serious matter that the funds of the Power Commission held for these municipalities in connection with power should have been depleted to that extent without any absolute assurance that they would get it back?"

A.- "I think I have always regarded it as a very serious matter and I have so reported it. I have always fully reported that situation."

Q.- "Have you taken it up with the Commission?"

A.- "The Commission has always known our views about it thoroughly and I have also discussed it at different times with the Government, or members of the Government."

Witnessed and sworn to before me this 1st day of June, 1964.

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and look in the view I take.....
 thing in my opinion. I can be right or wrong,
 of the color of hair, wearing those clothes;
 Social Relations had as much then the friends
 I feel that the reason to be expected on this
 the socialists. Under these circumstances,
 something occurred as indicated by these at
 as be valued out of the sale of bonds at the
 The stock exchange as United States dollars for
 "The view I take", said Mr. Winchell, "is that

1. The first step in the process of the investigation is the identification of the problem. This is done by the investigator who is responsible for the investigation. The investigator must identify the problem and the scope of the investigation. This is done by the investigator who is responsible for the investigation. The investigator must identify the problem and the scope of the investigation.

1. This is a copy of the original document.
2. The original document is held by the National Archives.
3. The original document is held by the National Archives.

10-11-1964

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1. I am a very busy person and I have no time to waste. I am always on the go and I have no time to waste. I am always on the go and I have no time to waste.

"The following are the names of the persons who have been arrested in connection with the above mentioned case."

to "incorporate our staff members with the government of the government."

Mr. Pierdon, the Accountant of the Commission, evidently had no illusions on the subject if we may judge from his testimony before us:

The Chairman: "Is there any question in your mind as to the legality of (drawing on) the fund from the Power Commission for Radial Railway purposes; can you show any statute which authorizes it to be done?"

Mr. Pierdon: "No, not exactly, sir."

Q.--"You know of none?"

A.--"No, sir."

Sir William Hearst's Letter

At the hearing it was stated that Sir William Hearst had in September, 1919, written a letter to Mr. C. B. MacInnes, K. C., Counsel for the Commission, which in effect justified the use of the Power Commission funds for Radial Railway purposes. A reference to the letter, however, made it quite clear that it purported to give no such authority. It simply stated that if certain by-laws were passed by the interested municipalities providing for the Toronto-Port Credit Railway being treated as a separate section, the Government would support legislation validating them. If, however, Sir William Hearst had written a letter authorizing the Commission to use the funds of the Power Commission for Radial Railway purposes, the Commission would not have been justified in disregarding the existing law under which nothing of the kind could legally be done. Mr. Gaby stated that he was under the impression that an Order-in-Council was passed authorizing

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the Commission to proceed with the work and make the necessary expenditures, but so far as we have been able to ascertain no such Order-in-Council exists, and both Sir William Hearst and the Honourable Mr. Lucas state that they have no recollection of it.

An Astounding Action

It will be seen from the foregoing statements that the money taken out of the funds held by the Commission as trustee in respect of the various power undertakings and used for Radial Railway purposes amounted in all to over one million one hundred thousand dollars (\$1,100,000). This sum, which was held on clearly defined trusts, was taken from the account of the Commission and put into the Hydro-Radial undertaking without the slightest authority and in defiance of the law, and, as Mr. Clarkson says, with no assurance that it would ever be recovered. It is doubtful if any member of the Commission, other than the Chairman, knew at the time that its funds were being used for the radials. No resolution purporting to authorize their use for such a purpose appears in its Minutes and so far as the records go the subject was not even mentioned at the meetings of the Commission. That it should have been possible for anyone to take over \$1,100,000 from the Commission without authority and in clear violation of the statutes is, indeed, astounding. Such a thing is serious, not only because such a large sum was imperilled, but also because it tends to

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discredit the cause of public ownership.

Contributions to Associations

Partly included in the expenditure before mentioned are contributions made by the Commission towards salaries and expenses of officers of the Ontario Municipal Electric Association and the Ontario Hydro-Radial Association, as follows:

From February, 1917,	
to October 31st, 1918	\$ 9,493.30
Year ending October 31st, 1919	4,466.63
Year ending October 31st, 1920	4,006.64
Year ending October 31st, 1921	<u>3,885.07</u>
	<u>\$21,851.64</u>

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The Commission had no right whatever to make these grants and knew it had no right to, but continued to make them. Mr. Clarkson in his annual reports has repeatedly referred to these grants and has said that the use by the Commission of its funds for such purposes is beyond the powers of the Commission.

The Vote on Radials, 1923

In January last a vote was taken by certain municipalities as to whether or not the Commission should proceed with the construction of the Toronto-Port Credit and the Port Credit-St. Catharines Radials. The Commission entered actively into the campaign in favour of the passage of the by-laws which were submitted, and incurred considerable expense in so doing. The amount which was expended and which was brought to our

considered the cause of public ownership.

Consideration of the problem

Public interest in the organization of the problem

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From February, 1917,	1,000,000
to October 1917,	1,000,000
Year ending October 1917,	1,000,000
Year ending October 1918,	1,000,000
Year ending October 1919,	1,000,000
Year ending October 1920,	1,000,000

\$1,000,000

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attention at the hearing held by us reached about \$11,000, but from the evidence given it appears that the actual expenditure far exceeded this figure. Where the remainder came from was not disclosed.

Campaigning for Hydro-Radials

In October preceding the election, Sir Adam Beck applied to the Government for a grant of \$9,500 to meet contemplated expenditure by the Commission in respect of the campaign. He had an interview with Mr. Drury and there was some correspondence between them. Finally, on November 13th, the application for funds was refused, and on December 9th, the Honourable Colonel Carmichael formally wrote Mr. Pope, the Secretary of the Commission, informing him that the Order-in-Council submitted had not been approved. "the Government taking the view that the municipalities themselves should bear all the expense in connection with submitting these by-laws". Sir Adam Beck states that before this he had telephoned Mr. Horace Wallis, the Prime Minister's Deputy, and was told that an Order-in-Council authorizing the expenditure had been passed and would be issued, but Mr. Wallis flatly denies that he made any such statement. However, the refusal of the Government to authorize the expenditure appears to have made no difference to Sir Adam Beck. The campaign was vigorously carried on until the close of the polls. In fact expenditures on the campaign had been begun by the Chairman in September, before he took the subject up with Mr. Drury at all.

A Change of Attitude

Before the election Sir Adam Beck took the ground that money for the campaign would have to be provided by Special Warrant from the Government. After the campaign was over and the money had been spent he took different ground, and said when before us:

"I may say, Mr. Chairman, there was \$15,000 of funds that was voted on account of the municipalities in this district, that was available."

Q.- "Do you mean monies borrowed on the securities of the municipalities, bonds that were issued?"

A.- "Yes, \$15,000 which wasn't Government money."

The following extract from Mr. Clarkson's evidence shows that he held a different view:

Q.- "You will say they paid them (campaign expenses) without authority?"

A.- "We have to, it is the fact as far as we can see"

It is quite clear that the Commission had no funds out of which to pay campaign expenses. Sir Adam appears to have overlooked Section 6 of the Hydro-Electric Railway Act of 1914 which provides that the money raised from municipal bonds is for "construction and equipment", and Section 29(a) of the Municipal Electric Railway Act, 1922, which provides that all by-laws and agreements with the municipalities shall be void and of no effect until the municipalities vote to proceed with construction; and this they have not done to the present day.

THE STATE OF TEXAS

Know all men by these presents, that I, the undersigned, do hereby certify that the following is a true and correct copy of the original as the same appears on file in the office of the Secretary of State of the State of Texas.

That the same was duly and lawfully adopted by the Board of Directors of the Texas Electric Light and Power Company, at its meeting held at the City of Dallas, Texas, on the 1st day of January, 1911, and that the same is now in full force and effect.

Witness my hand and seal of office at the City of Dallas, Texas, this 1st day of January, 1911.

I, J. W. Davis, Secretary of the State of Texas, do hereby certify that the foregoing is a true and correct copy of the original as the same appears on file in the office of the Secretary of State of the State of Texas.

Given under my hand and seal of office at the City of Dallas, Texas, this 1st day of January, 1911.

J. W. Davis, Secretary of the State of Texas.

COPY

The following is a true and correct copy of the original as the same appears on file in the office of the Secretary of State of the State of Texas.

shows that he said a different view.

Q. "You will say they said then (concluding examination) almost certainly?"

A. "We have so, it is the fact as far as we can see"

It is quite clear that the Commission had no funds but it failed to pay necessary expenses. The same appears to have happened because of the Texas Electric Light and Power Company which provides that the money raised from municipal bonds is for "construction and equipment," and Section 10(c) of the municipal electric railway act, 1907, which provides that all expenses and operations of the municipality shall be paid out of its funds. The municipality has no funds with which to pay its expenses and this fact was not known to the public.

COPY FOR ENCLOSURE TO

Bills paid without coming before Commission

The campaign bills began to come in before the election was over. Colonel Carmichael says that the Commission authorized no expenditures for the purposes of the campaign and that no accounts for the work done were paid with the authority of the Commission. The records of the Commission bear him out for no resolution authorizing the expenditure appears in them. Colonel Carmichael further states that he was watching the accounts presented from time to time because he would have objected to payment of any accounts incurred for the Hydro-Radial campaign. At that time Sir Adam Beck and Colonel Carmichael were the only members of the Commission, so that Colonel Carmichael's objection would have prevented payment of the accounts being authorized. The Chairman had good reason to know that the Commission would not pass the accounts and none of them were presented to it. Instead of presenting them, the Chairman, without the consent or knowledge of his colleague, Colonel Carmichael, gave instructions to Mr. Pierdon, the Accountant, to pay the bills, telling him, so Mr. Pierdon states, that the Premier had authorized an expenditure of approximately \$10,000 or \$11,000. Accounts for \$7,800 were accordingly paid without the knowledge of Colonel Carmichael out of funds held jointly by the Chairman and Colonel Carmichael in trust for other purposes. It is needless to say that harmony and goodfellowship will not dwell in a Commission where such things are done.

THE CAMPAIGN FOR THE REFORMATION OF THE JUDICIAL SYSTEM

The campaign for the reformation of the judicial system began in 1980.

At that time, the judicial system was in a state of chaos.

It was a system that had been built up over the years.

It was a system that had been built up over the years.

The purpose of the campaign was to reform the judicial system.

It was a system that had been built up over the years.

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How will the Money taken be Restored

The Commission having taken over \$1,100,000 from the funds held by it as trustee in respect of power undertakings and spent it on the Hydro-Radials, how will the money be restored?

We asked Sir Adam Beck from where the Commission would get it and he replied:

"They are perfectly secured by the bonds deposited by the municipalities There is no question about the liability of the municipalities that I can see. Of course there is some very valuable property purchased and it is a question in my mind whether we cannot get more money for the property than we paid for it; certain properties will bring more....."

COPY
Honourable Mr. Lucas apparently holds the same view as Sir Adam Beck in respect to the liability of the municipalities. He says:

"It is a liability on the municipalities."

The following evidence given before us by Mr. Clarkson shows his opinion:

Q.- "Where is the money to come from to pay back to the Power Commission, money taken out for Radials?"

A.- "I suppose with regard to this Port Credit to St. Catharines, (Toronto-Port Credit Railway) this \$772,000 will be reduced by whatever may be realized on the right-of-way."

Q.- "That is if they sell the right-of-way, anything they receive for that will be applied on account?"

A.- "In reduction of that, if the railway is not gone on with; where the balance is to come from, I do not know....."

It will be found that the

The Commission having been over \$1,000,000 from

the same date of its creation in 1907 at present

taxes on water in the State of California, and will the water

be sold?

we have the same from the State of California

would not it and be regulated?

"They are naturally opposed to the State
regulated by the municipality. ... There
is no question about the liability of the
municipality that I can see. Of course
there is some very serious question of
liability and it is a question of the
municipality and the State. The municipality
is not the one to regulate the water.

COPY

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politics. He says

"It is a liability on the municipality."

The following evidence given before us by Mr.

Upham shows his opinion:

Q-- "Where is the money to come from to pay
back to the State Commission, money
taken out for local?"

A-- "I suppose with regard to the State Commission
to the Commission. The State Commission will
pay, and the State will be liable to the
may be liable to the State."

Q-- "That is it that will the State Commission
paying the taxes for that will be
applied on account?"

A-- "In connection of that, if the liability is
not paid on with the State Commission is to
come from, I do not know...."

COPY FOR ENCLOSURE TO

Q.- "Has the Commission any fund from which they can legally draw it?"

A.- "No, sir."

Possible Sources from which Money may be Drawn

There are three sources from which the Power Commission may get back its money in whole or in part:

1. Sale of right-of-way and materials purchased for the Hydro-Radials;
2. Sale of bonds deposited with the Commission by the municipalities;
3. A grant from the Legislature.

COPY
There is also the question of the personal liability of the Chairman for wrongful diversion of trust funds. There is no doubt that if a trustee of a private estate had dealt with the funds of the estate as Sir Adam Beck dealt with the funds of the Power Commission in this case, he would have been compelled to refund the amount taken.

Realization of Assets

All the advances made by the Commission for the Port Credit to St. Catharines road have been paid back out of the \$500,000 borrowed from the Bank of Montreal and derived from the sale of material. The funds now due the Power Commission are those that were paid out for the Toronto-Port Credit road and interest accruing thereon. For the sale of the right-of-way purchased between Toronto and Port Credit a substantial sum should be realised. Sir Adam Beck says

Mr. Speaker, the Committee has the honor to inform you that the bill has been passed by the House of Representatives.

Very respectfully,
The Committee

REPORT OF THE COMMITTEE ON THE HOUSE OF REPRESENTATIVES

There are three main points in the report of the Committee.

The first point is that the bill is a very important one.

1. The bill is of great importance to the people.

for the House of Representatives.

2. The bill is of great importance to the people.

of the House of Representatives.

3. The bill is of great importance to the people.

There is also a copy of the report of the Committee on the House of Representatives.

COPY

at the House of Representatives, the report of the Committee on the House of Representatives.

It is also a copy of the report of the Committee on the House of Representatives.

with the House of Representatives, the report of the Committee on the House of Representatives.

There is also a copy of the report of the Committee on the House of Representatives.

concerned in the report of the Committee on the House of Representatives.

REPORT OF THE COMMITTEE ON THE HOUSE OF REPRESENTATIVES

All the members of the Committee on the House of Representatives.

There are three main points in the report of the Committee on the House of Representatives.

1. The bill is of great importance to the people.

2. The bill is of great importance to the people.

There is also a copy of the report of the Committee on the House of Representatives.

with the House of Representatives, the report of the Committee on the House of Representatives.

There is also a copy of the report of the Committee on the House of Representatives.

a copy of the report of the Committee on the House of Representatives.

that some of these parcels may bring more than was paid for them. Aside from the real estate there appear to be no other assets of any appreciable value out of which to realize in respect of this road. If the municipalities interested were to take over the undertaking themselves, they might possibly pay existing obligations.

Liability of Municipalities

The municipalities strongly dispute any liability on their part in respect of the bonds deposited by them, and it seems doubtful if, the railroad not having been constructed, they are liable. If they are pressed for payment there is no doubt that the matter will have to be settled by the Courts. As already pointed out by us, in the case of the Toronto-Port Credit road no bonds have been issued by the Commission, but the municipal bonds deposited with the Commission are still held by it.

Government Assistance

The preamble of the Hydro-Electric Railway Act expressly states that the Province shall not be liable for the bonds except to the extent of the moneys that may be received by the Commission from the municipal corporations. Whether the Legislature will take it upon itself to make up the loss that has been incurred is a matter for it to decide. If it should make up the loss it would simply be shifting it from the shoulders of the users of power to the public generally.

If it should deal with the matter a distinction may be made between the \$336,995.70 covered by the Treasury Board Minute of October 28th, 1921, and the rest of the expenditure.

Prompt Action Desirable

As matters now stand the accounts of the Commission are short over \$1,100,000. Whatever sum can be recovered should be recovered and restored to the Commission's treasury. If it should be found that the amount taken cannot be wholly recovered, and if the Legislature does not see fit to make up the loss, the impairment will have to be made good by Hydro municipalities whose funds have been diverted. Action should be taken as promptly as circumstances permit, for, as Mr. Clarkson says, in the language of truth and moderation, it is "a very serious matter".

DATED AT TORONTO, *Sept. 7th* 1923

W. D. Gregory, Chairman
M. J. Haney
Lloyd Harris
J. Allan Ross
R. A. Ross

(13)

It is should deal with the matter a distinction may be made between the \$256,855.70 covered by the Treasury Board Minutes of October 28th, 1931, and the rest of the expenditure.

Treasury Board Minutes

As matters now stand the accounts of the Commission are about \$1,100,000. Whatever sum can be recovered should be recovered and returned to the Commission's Treasury. It is should be found that the amount taken cannot be wholly recovered, and if the Legislature does not see fit to make up the loss, the Government will have to be made good by Hydro-Electricity Commission whose funds have been diverted. It should be taken as a principle of circumstances permit, for, as Mr. Clarkson says, in the language of truth and moderation, it is "a very serious matter".

DATED AT TORONTO, 1932

W. D. Gregory, Chairman
M. L. Hamer
Lloyd Harris
J. Allan Ross
R. A. Ross

